



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FLOYD COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FLOYD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Auditor of Public Accounts has completed the Floyd County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$239,441 from the prior fiscal year, resulting in a cash surplus of \$12,104,616 as of June 30, 2001. Of this cash surplus, \$9,034,210 is restricted for extinguishing outstanding bond issues. Revenues increased by \$5,787,767 from the prior year and disbursements increased by \$3,542,041.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$27,540,000. Future collections of \$34,219,561 are needed over the next 22 years to pay all bonded debt principal and interest.

Total Capital lease principal totaled \$684,000 as of June 30, 2001. Future principal and interest payments of \$1,110,741 are needed to meet this obligation.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Paul H. Thompson, Floyd County Judge/Executive
Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Floyd County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Floyd County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Floyd County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001, of Floyd County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Paul H. Thompson, Floyd County Judge/Executive
Members of the Floyd County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2002, on our consideration of Floyd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Floyd County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 15, 2002

FLOYD COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Paul H. Thompson	County Judge/Executive
Gerald Derossett	Commissioner
Larry F. Stumbo	Commissioner
Ermal Tackett	Commissioner

Other Elected Officials:

Keith Bartley	County Attorney
Roger Webb	Jailer
Chris Waugh	County Clerk
Douglas Ray Hall	Circuit Court Clerk
John K. Blackburn	Sheriff
Connie Hancock	Property Valuation Administrator
Roger Nelson	Coroner

Appointed Personnel:

David Layne	County Treasurer
Donna Thompson	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

FLOYD COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 1,695,453	
Park and Pool Accounts - Cash	2,618	
Road and Bridge Fund:		
Cash	135,485	
Jail Fund:		
Cash	147,996	
Local Government Economic Assistance Fund:		
Cash	1,037,163	
Withholding and FICA Tax Account - Cash	851	
Payroll Account - Cash	<u>8,492</u>	\$ 3,028,058

Special Revenue Fund Type

State Grants Fund:

Cash	\$ 36	
Federal Grants Fund:		
Cash	7,332	
E-911 Fund:		
Cash	23,172	
Revolving Loan Fund:		
Cash	<u>13,556</u>	

Debt Service Fund Type

KACO Leasing Trust Account:		44,096
Cash		1,120
Public Properties Corporation Fund:		
Gas System, Solid Waste, Detention Center Bonds - Investments	\$ 7,114,845	
1999 Refunding Bonds - Cash	793,994	
Justice Center Series A Bonds - Investments	306,483	
Justice Center Series B Bonds - Investments	818,751	
Thunder Ridge Fairgrounds and Convention Center - Cash	<u>137</u>	9,034,210

Component Unit

Floyd County Solid Waste Incorporated:

Cash	<u>6,475</u>	
Total Assets		\$ 12,113,959

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Assets and Other Resources

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Capital Lease Principal
 Obligations - Big Sandy ADD Building (Note 5)

Debt Service Fund Type

Public Properties Corporation Fund: \$ 682,880

Amounts to be Provided in Future Years for Bond Principal

Obligations - (Note 6)

1999 Refunding Bonds	\$ 7,881,006	
Justice Center Series A	2,813,517	
Justice Center Series B	5,466,249	
Thunder Ridge Fairgrounds and Convention Center	2,625,000	18,785,772

Total Assets and Other Resources \$ 31,582,611

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Capital Lease Obligation - Big Sandy ADD Building (Note 5)	\$ 684,000
Note Payable - Landfill User Fees (Note 7)	8,985
Withholding and FICA Tax Account	851
Payroll Account	8,492

Debt Service Fund Type

Public Properties Corporation Fund: \$ 702,328

Refinanced Bonds -

East Kentucky Utilities Gas System Bonds (Note 6A1)	\$ 460,000	
Solid Waste Refunding Bonds (Note 6A2)	2,015,000	
Detention Center Bonds (Note 6A3)	4,360,000	\$ 6,835,000
1999 Refunding Bonds (Note 6B)		8,675,000
Justice Center Series A Bonds (Note 6C)		3,120,000
Justice Center Series B Bonds (Note 6D)		6,285,000
Thunder Ridge Fairgrounds and Convention Center Bonds (Note 6E)		2,625,000
		27,540,000

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Fund Balances

Reserved:

General Fund Type

Local Government Economic Assistance Fund		\$	1,037,163
---	--	----	-----------

Special Revenue Fund Type

State Grants Fund	\$	36	1,037,163
Federal Grants Fund		7,332	
E-911 Fund		23,172	
Revolving Loan Fund		<u>13,556</u>	44,096

Debt Service Fund Type

Public Properties Corporation Fund:			
1999 Refunding Bonds (Note 6B)	\$	279,845	
Thunder Ridge Fairgrounds and Convention Center (Note 6E)		<u>137</u>	\$ 279,982

Component Unit

Floyd County Solid Waste Incorporated			6,475
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Unreserved:

General Fund Type

General Fund	\$	1,689,086	
Road and Bridge Fund		135,485	
Jail Fund		<u>147,996</u>	<u>1,972,567</u>
Total Liabilities and Fund Balances			<u>\$ 32,619,774</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

FLOYD COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 12,793,239	\$ 4,143,990	\$ 1,227,874	\$ 1,088,214
Other Financing Sources:				
Transfers In	3,730,987	830,145		500,000
Kentucky Advance Revenue Program	1,533,100	1,473,900	59,200	
Lease Proceeds Interest	71			
Total Cash Receipts	<u>\$ 18,057,397</u>	<u>\$ 6,448,035</u>	<u>\$ 1,287,074</u>	<u>\$ 1,588,214</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 10,092,689	\$ 2,835,619	\$ 1,397,616	\$ 1,209,145
Other Financing Uses:				
Component Unit Expenditures	17			
Lease Disbursements	2,219			
Transfers Out	3,730,987	889,288		452,695
Capital Lease-Principal Paid	25,000	25,000		
Bonds:				
Principal Paid	845,000			
Interest Paid	1,586,129			
Fees	2,815			
Kentucky Advance Revenue Program Repaid	1,533,100	1,473,900	59,200	
Total Cash Disbursements	<u>\$ 17,817,956</u>	<u>\$ 5,223,807</u>	<u>\$ 1,456,816</u>	<u>\$ 1,661,840</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 239,441	\$ 1,224,228	\$ (169,742)	\$ (73,626)
Cash Balance - July 1, 2000 (Note 12)	<u>11,865,175</u>	<u>473,843</u>	<u>305,227</u>	<u>221,622</u>
Cash Balance - June 30, 2001 *	<u>\$ 12,104,616</u>	<u>\$ 1,698,071</u>	<u>\$ 135,485</u>	<u>\$ 147,996</u>

*Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2001
(Continued)

General Fund Type	Special Revenue Fund Type				
Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	E-911 Fund	Revolving Loan Fund	Construction Fund
\$ 3,797,698	\$ 149,160	\$ 972,480	\$ 123,866	\$ 575	\$
215,000		189,250	10,000		1,144,609
<u>\$ 4,012,698</u>	<u>\$ 149,160</u>	<u>\$ 1,161,730</u>	<u>\$ 133,866</u>	<u>\$ 575</u>	<u>\$ 1,144,609</u>
\$ 3,353,182	\$ 143,022	\$ 965,679	\$ 188,426	\$	\$
	6,102	189,250			1,144,609
<u>\$ 3,353,182</u>	<u>\$ 149,124</u>	<u>\$ 1,154,929</u>	<u>\$ 188,426</u>	<u>\$ 0</u>	<u>\$ 1,144,609</u>
\$ 659,516	\$ 36	\$ 6,801	\$ (54,560)	\$ 575	\$ 0
377,647		531	77,732	12,981	
<u>\$ 1,037,163</u>	<u>\$ 36</u>	<u>\$ 7,332</u>	<u>\$ 23,172</u>	<u>\$ 13,556</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2001
(Continued)

	Revenue Fund Type	Debt Service Fund Type	Component Unit	
	U.S. 23 Industrial Site Development Fund	KACO Lease Acquisition Account	Public Properties Corporation Fund	Floyd County Solid Waste Incorporated
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 18	\$	\$ 1,289,223	\$ 141
Other Financing Sources:				
Transfers In			841,983	
Kentucky Advance Revenue Program				
Lease Proceeds Interest		71		
Total Cash Receipts	\$ 18	\$ 71	\$ 2,131,206	\$ 141
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$	\$
Other Financing Uses:				
Component Unit Expenditures				17
Lease Disbursements		2,219		
Transfers Out	16,391		1,032,652	
Capital Lease-Principal Paid				
Bonds:				
Principal Paid			845,000	
Interest Paid			1,586,129	
Fees			2,815	
Kentucky Advance Revenue Program Repaid				
Total Cash Disbursements	\$ 16,391	\$ 2,219	\$ 3,466,596	\$ 17
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (16,373)	\$ (2,148)	\$ (1,335,390)	\$ 124
Cash Balance - July 1, 2000 (Note 12)	16,373	3,268	10,369,600	6,351
Cash Balance - June 30, 2001 *	\$ 0	\$ 1,120	\$ 9,034,210	\$ 6,475

*Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Floyd County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Floyd County Solid Waste Incorporated, the Floyd County Community Center, Incorporated, and the Public Properties Corporation Fund as part of the reporting entity.

Floyd County Solid Waste Incorporated (the Corporation) is a legally separate entity established to monitor garbage disposal services in Floyd County. The Fiscal Court appoints all of the Corporation's board members and is financially accountable for the Corporation. This financial accountability requires management to include the Corporation as a component unit. The Corporation is not included in any other organization's reporting entity and provides services exclusively to the Fiscal Court; therefore, the financial activity of the corporation is discretely presented in the financial statements.

The Floyd County Community Center, Incorporated (the Center) is a legally separate entity created to oversee the operations of the Floyd County Community Center located in Martin, Kentucky. The Fiscal Court appoints all of the Center's board members and is able to impose its will on the Center. Because the Fiscal Court and the Board of the Center are not substantively similar, the financial activity of the Center should be discretely presented in the County's financial statements. However, the Center did not begin operations until August 2001 and there is no financial activity to be reported in the County's financial statement for fiscal year ended June 30, 2001.

The Public Properties Corporation (the Corporation) is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity will be blended with that of the Fiscal Court.

Additional - Floyd County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

The Kentucky constitution provides for election of the above officials from the geographic area constituting Floyd County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Floyd County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Floyd County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund (LGEA).

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The State Grants Fund, Federal Grants Fund, E-911 Fund, Revolving Loan Fund, Construction Fund, and the U.S. 23 Industrial Site Development Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes KACO Lease Acquisition Account and the Public Properties Corporation Fund. The KACO Lease Acquisition Account includes operating lease proceeds from the Kentucky Association of Counties Leasing Trust Program for the construction of additional office space at the Big Sandy ADD building. The Public Properties Corporation Fund debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year. Receipts include annual lease payments from the AOC for rental of the Floyd County Justice Center. Receipts also include bond principal and interest payments from the East Kentucky Utilities Gas System for a portion of the 1999 Revenue Refunding Bonds.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Floyd County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Debt Service Fund Type because bond indentures and other relevant contractual provisions require specific payments to and from this fund type annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund type to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Floyd County Fiscal Court: Floyd County Housing Authority, Southern Water and Sewer District, Sandy Valley Water District Commission, Floyd County Flood Plain Appeals Board, Floyd County Cooperative Extension Board, Floyd Service Project, Inc., and the Big Sandy Area Juvenile Detention Center, Inc.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary on the bond.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Lease Purchase Agreements

- A. On May 8, 1994, Floyd County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for voting machines. The principal amount of the lease was \$206,000. The agreement requires variable monthly payments for 120 months to be paid in full March 20, 2004. The principal balance of the agreement was \$71,000 as of June 30, 2001.
- B. On July 22, 1999, Floyd County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for the construction of an office building for use by the Big Sandy Area Development District. The principal amount of the lease was \$60,000. The agreement requires variable monthly payments for 84 months to be paid in full August 20, 2006. The principal balance of the agreement was \$46,080 as of June 30, 2001.

Note 5. Capital Lease Agreements

On October 16, 1992, Floyd County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for the construction of an office building for use by the Big Sandy Area Development District. The principal amount of the lease was \$850,000. Under a sublease agreement, the Big Sandy Area Development District will pay to the County sufficient funds to meet lease rental requirements. The agreement requires variable monthly payments for 25 years to be paid in full January 20, 2018. The principal balance of the agreement was \$684,000 as of June 30, 2001. Lease payments for the remaining years are:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Scheduled</u> <u>Interest And</u> <u>Other Fees</u>	<u>Scheduled</u> <u>Principal</u>
2002	\$ 36,263	\$ 26,000
2003	34,840	27,000
2004	33,341	29,000
2005	31,756	30,000
2006	30,095	32,000
Thereafter	<u>261,566</u>	<u>540,000</u>
Totals	<u>\$ 427,861</u>	<u>\$ 684,000</u>

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Long-Term Debt

A. The Following three bond issuances were refinanced from the proceeds of the 1999 Revenue Refunding bonds detailed at Note 6B.

- 1) In March 1991, the Floyd County Public Properties Corporation, a component unit of the Floyd County Fiscal Court, issued \$620,000 in First Mortgage Revenue Bonds for the East Kentucky Utilities Gas System. These bonds were originally scheduled to mature in September 2012. The Fiscal Court refinanced these bonds as a cost savings measure in March 1999. As part of the refunding, the East Kentucky Utilities Gas System bond payment schedule was revised to reflect a maturity date of September 2001. The bond principal and interest payments will be paid from the proceeds of the Floyd County Refunding Bonds Series 1999. As of June 30, 2001, the principal balance outstanding on the 1991 East Kentucky Utilities Gas Company bonds was \$460,000. The debt service requirements to be paid from the proceeds of the Floyd County 1999 Refunding Bonds are as follows:

Fiscal Year Ending June 30	Scheduled Interest And Other Fees	Scheduled Principal
2002	\$ 27,100	\$ 460,000
Totals	\$ 27,100	\$ 460,000

- 2) In March 1994, the Floyd County Public Properties Corporation, a component unit of the Floyd County Fiscal Court, issued \$2,500,000 in Solid Waste Refunding and Improvement Revenue Bonds. These bonds were originally scheduled to mature in March 2014. The Fiscal Court refinanced these bonds as a cost savings measure in March 1999. As part of the refunding, the Solid Waste bond payment schedule was revised to reflect a maturity date of March 2004. The bond principal and interest payments will be paid from the proceeds of the Floyd County Refunding Bonds Series 1999. As of June 30, 2001, the principal balance outstanding on 1994 Solid Waste Bonds was \$2,015,000. The debt service requirements to be paid from the proceeds of the Floyd County 1999 Refunding Bonds are as follows:

Fiscal Year Ending June 30	Scheduled Interest And Other Fees	Scheduled Principal
2002	\$ 142,152	\$ 100,000
2003	136,003	105,000
2004	163,440	1,810,000
Totals	\$ 441,595	\$ 2,015,000

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Long-Term Debt (Continued)

A. (Continued)

- 3) In March 1994, the Floyd County Public Properties Corporation, a component unit of the Floyd County Fiscal Court, issued \$5,930,000 in First Mortgage Revenue Bonds for the Floyd County Detention Facility Project. These bonds were originally scheduled to mature in March 2019. The Fiscal Court refinanced these bonds as a cost savings measure in March 1999. As part of the refunding, the Detention Center bond payment schedule was revised to reflect a maturity date of March 2004. The bond principal and interest payments will be paid from the proceeds of the Floyd County Refunding Bonds Series 1999. As of June 30, 2001, the principal balance outstanding on 1994 Detention Center Bonds was \$4,360,000. The debt service requirements to be paid from the proceeds of the Floyd County 1999 Refunding Bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest And Other Fees</u>	<u>Scheduled Principal</u>
2002	\$ 309,882	\$ 155,000
2003	300,428	165,000
2004	367,415	4,040,000
Totals	<u>\$ 977,725</u>	<u>\$ 4,360,000</u>

- B. In April 1999, the Floyd County Public Properties Corporation, a component unit of the Floyd County Fiscal Court, issued \$9,445,000 in General Obligation Refunding Bonds, Series 1999. The proceeds from these refunding bonds will be used to refinance the 1991 East Kentucky Utilities Gas Systems Bonds, the 1994 Solid Waste Refunding and Improvement Revenue Bonds, and the 1994 Detention Facility Bonds First Mortgage Revenue Bonds. These bonds are scheduled to mature in 2019 and carry interest rates of 4.35 to 4.4%. Semiannual interest payments are required in September and March. As of June 30, 2001, the principal balance outstanding on these General Obligation Bonds was \$8,675,000. Debt service requirements for fiscal years ending June 30, 2002 and thereafter are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest And Other Fees</u>	<u>Scheduled Principal</u>
2002	\$ 380,004	\$ 395,000
2003	362,821	405,000
2004	345,204	425,000
2005	326,716	445,000
2006	307,359	465,000
Thereafter	1,929,794	6,540,000
Totals	<u>\$ 3,651,898</u>	<u>\$ 8,675,000</u>

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Long-Term Debt (Continued)

- B. In December 1995, the Floyd County Public Properties Corporation, a component unit of the Floyd County Fiscal Court, issued \$3,310,000 in First Mortgage Revenue Bonds Series A for phase 1 of the Court Facility Project. Semiannual principal and interest payments are required in September and March.

The Floyd County Public Properties is acting as an agent for the AOC in order to manage and maintain the Justice Center. The Floyd County Public Properties Corporation expects annual rentals for use of the Justice Center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, The AOC has agreed to pay directly to the paying agent bank, the use allowances payment as provided in the lease. The lease agreement is renewable each year. The Floyd County Public Properties Corporation is in reliance upon the use of allowance payment in order to meet the debt service for the bonds.

The AOC with the execution of the lease has expressed its intention to continue to pay the full allowance payment in each successive biennial budget period until September 2023, but the lease does not legally obligate the AOC to do so.

As of June 30, 2001, the principal balance on these bonds was \$3,120,000. Debt service requirements for fiscal years ending June 30, 2002 and thereafter are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Scheduled</u> <u>Interest And</u> <u>Other Fees</u>	<u>Scheduled</u> <u>Principal</u>
2002	\$ 170,305	\$ 70,000
2003	166,317	75,000
2004	162,193	75,000
2005	157,930	80,000
2006	153,392	85,000
Thereafter	<u>1,601,403</u>	<u>2,735,000</u>
Totals	<u>\$ 2,411,540</u>	<u>\$ 3,120,000</u>

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Long-Term Debt (Continued)

- D. In June 1996, the Floyd County Public Properties Corporation, a component unit of the Floyd County Fiscal Court, issued \$6,525,000 in First Mortgage Revenue Bonds Series B for phase 2 of the Court Facility Project. As stated in Note 6C, the AOC makes lease rental payments directly to the paying agent bank in the amount of annual bond principal and interest payments. As of June 30, 2001, the principal balance on these bonds was \$6,285,000. Debt service requirements for fiscal years ending June 30, 2002 and thereafter are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest And Other Fees</u>	<u>Scheduled Principal</u>
2002	\$ 378,130	\$ 90,000
2003	373,042	95,000
2004	367,680	100,000
2005	362,043	105,000
2006	356,130	110,000
Thereafter	<u>4,913,464</u>	<u>5,785,000</u>
Totals	<u>\$ 6,750,489</u>	<u>\$ 6,285,000</u>

- E. In May 1999, the Floyd County Public Properties Corporation, a component unit of the Floyd County Fiscal Court, issued \$2,700,000 in General Obligation Public Project Bonds to refinance the 1993 Bond Anticipation Notes for the Thunder Ridge Fairgrounds and Convention Center. The bonds carry an interest rate of 4.85% and are scheduled to mature in July 2019. Semiannual interest payments are required in July and January. The facility has been leased to Appalachian Racing for an amount equal to the annual debt service requirements. As of June 30, 2001, the principal balance outstanding was \$2,625,000. Debt service requirements for fiscal years ending June 30, 2002 and thereafter are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest And Other Fees</u>	<u>Scheduled Principal</u>
2002	\$ 125,979	\$ 55,000
2003	122,947	70,000
2004	119,431	75,000
2005	115,673	80,000
2006	111,429	95,000
Thereafter	<u>857,965</u>	<u>2,250,000</u>
Totals	<u>\$ 1,453,424</u>	<u>\$ 2,625,000</u>

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 7. Note Payable

During Fiscal Year ended June 30, 1997, the Floyd County Fiscal Court and the Pike County Fiscal Court reached an agreement regarding the payment of landfill user fees due to the Pike County Fiscal Court in the amount of \$214,826. The agreement required one lump sum payment of \$107,000 and monthly payments of \$1,797 beginning January 1997 and ending December 2001. During fiscal year ending June 30, 2001, the county paid \$21,565 to the Pike County Fiscal Court. As of June 30, 2001, the total amount due to the Pike County Fiscal Court for landfill user fees is \$8,985.

Note 8. Related Party Transactions

During fiscal year 2001, the county spent \$2,134 for parts and services at Layne Brother's Ford-Lincoln-Mercury-Honda and Ford Trucks. The County Treasurer's father is co-owner and the Treasurer is also an employee at this dealership. We recommend the Floyd County Ethics Committee review these transactions for propriety.

Note 9. Insurance

For the fiscal year ended June 30, 2001, Floyd County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Floyd County Jail Canteen Fund had income of \$16,119, less cost of goods sold of \$7,470, leaving net income at \$8,649 as of June 30, 2001. All profit expenditures were for the benefit and/or recreation of the inmates.

Note 11. Contingency

The Natural Resources and Environmental Protection Cabinet (the Cabinet) filed an Administrative Complaint against Floyd County Fiscal Court on May 29, 2001, for failure to comply with regulations related to landfill operations. The Cabinet and Floyd County are currently engaged in settlement discussions related to the Administrative Complaint. It is likely that the Administrative Complaint will result in a liability for Floyd County. At this time the amount of the liability cannot reasonably be determined.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 12. Adjustments to Beginning Cash Balances

- 1) The Beginning cash balance of the Jail Fund was increased \$258 to account for a voided check.
- 2) The beginning cash balance of the Local Government Economic Assistance Fund was decreased \$6,392. \$41 of this amount is due to a clerical error. The remaining \$6,351 is now discretely presented as a Component Unit Fund Type in a column labeled Floyd County Solid Waste Incorporated Account.
- 3) The beginning cash balance of the E-911 Fund was increased \$69 to account for a voided check.
- 4) The beginning cash balance of the Public Properties Corporation Fund was increased \$78,665 to account for The East Kentucky Utilities Debt Service Reserve Account monies.

Note 13. Cash Reserved for Long-Term Debt

As of June 30, 2001, Floyd County has a total cash balance of \$12,104,616. Of this amount, \$9,034,210 is restricted for extinguishing outstanding bond issues.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

FLOYD COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 12,790,209	\$ 4,143,990	\$ (8,646,219)
Road and Bridge Fund	1,342,676	1,277,874	(64,802)
Jail Fund	1,036,196	1,088,214	52,018
Local Government Economic Assistance Fund	4,377,065	3,747,698	(629,367)
<u>Special Revenue Fund Type</u>			
State Grants Fund	147,663	149,160	1,497
Federal Grants Fund	3,315,918	972,480	(2,343,438)
E-911 Fund	222,288	123,866	(98,422)
Revolving Fund	500	575	75
LGEDF	1,100,000		(1,100,000)
US 23 Industrial Site Development Fund	0	18	18
Totals	<u>\$ 24,332,515</u>	<u>\$ 11,503,875</u>	<u>\$ (12,828,640)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 24,332,515
Add: Budgeted Prior Year Surplus	2,639,550
Less: Other Financing Uses	<u>(2,087,378)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 24,884,687</u>

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SCHEDULE OF OPERATING REVENUE

FLOYD COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type	Component Unit
Taxes	\$ 2,048,772	\$ 1,927,487	\$ 121,285	\$	\$
In Lieu Tax Payments	14,211	14,211			
Excess Fees	137,203	137,203			
Licenses and Permits	18,447	18,447			
Intergovernmental Revenues	8,218,998	7,104,330	1,114,668		
Charges for Services	409,756	409,756			
Miscellaneous Revenues	1,234,886	500,020	1,410	733,456	
Interest Earned	710,966	146,322	8,736	555,767	141
Total Operating Revenue	<u>\$ 12,793,239</u>	<u>\$ 10,257,776</u>	<u>\$ 1,246,099</u>	<u>\$ 1,289,223</u>	<u>\$ 141</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

FLOYD COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,908,278	\$ 1,612,668	\$ 295,610
Protection to Persons and Property	1,180,723	1,089,185	91,538
General Health and Sanitation	1,749,285	654,149	1,095,136
Social Services	171,000	148,389	22,611
Recreation and Culture	6,558,208	528,185	6,030,023
Roads	2,900,383	2,823,925	76,458
Airports	3,500		3,500
Other Transportation			
Facilities And Services	100,000		100,000
Debt Service	605,508	136,865	468,643
Capital Projects	2,924,690	646,117	2,278,573
Administration	1,499,491	1,156,079	343,412
Total Operating Budget - General Fund Type	\$ 19,601,066	\$ 8,795,562	\$ 10,805,504
Other Financing Uses:			
Borrowed Money-			
Kentucky Advance Revenue Program - Principal	1,611,320	1,533,100	78,220
Transfers to Public Property			
Corporation Bond Fund	451,058	841,983	(390,925)
Capital Lease Agreement-			
Principal on Lease	25,000	25,000	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 21,688,444</u>	<u>\$ 11,195,645</u>	<u>\$ 10,492,799</u>

FLOYD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 40,000	\$ 16,266	\$ 23,734
Protection to Persons and Property	253,516	189,598	63,918
General Health and Sanitation	3,331,480	996,990	2,334,490
Social Services	30,000	5,118	24,882
Other Transportation Facilities and Services	16,111	16,180	(69)
Capital Projects	1,334,440	60,587	1,273,853
Administration	278,074	12,388	265,686
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 5,283,621</u>	<u>\$ 1,297,127</u>	<u>\$ 3,986,494</u>

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STATEMENT OF COMPONENT UNIT EXPENDITURES

FLOYD COUNTY
STATEMENT OF COMPONENT UNIT EXPENDITURES

Fiscal Year Ended June 30, 2001

<u>Expenditure Items</u>	<u>Component Unit</u>
Floyd County Solid Waste, Inc	
Bank Charges	<u>\$ 17</u>
Totals	<u><u>\$ 17</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Paul H. Thompson, Floyd County Judge/Executive

Members of the Floyd County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Floyd County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated April 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Floyd County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Floyd County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 15, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Paul H. Thompson, Floyd County Judge/Executive

Members of the Floyd County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Floyd County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Floyd County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Floyd County's management. Our responsibility is to express an opinion on Floyd County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Floyd County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Floyd County's compliance with those requirements.

In our opinion, Floyd County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Floyd County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Floyd County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 15, 2002

FINDINGS AND QUESTIONED COSTS

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Floyd County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Floyd County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Floyd County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Floyd County reported in Part C of this schedule.
7. The program tested as a major program was: Pride Community Grant.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Floyd County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FLOYD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department for Local Government:		
Wheelwright Emergency Shelter Grant Program (CFDA #14.231)	Not Available	\$ 5,117
Passed-Through Kentucky Housing Corporation:		
Kentucky Tech (CFDA #14.239)	Not Available	29,517
Home Program (CFDA #14.239)	Not Available	31,070
<u>U.S. Appalachian Regional Commission</u>		
Passed-Through State Department for Local Government:		
Appalachian Regional Commission Grants-		
Aquaponics (CFDA #23.002)	00-AI203	40,306
<u>U.S. Department of the Interior</u>		
Passed-Through State Department of Natural Resources:		
Abandoned Mine Land Reclamation Programs - (CFDA #15.252)		
Miscellaneous Ground Water Study	GR107210	6,287
Spurlock Creek Ground Water Study	GR107210	9,975
Turkey Creek Water Project	GR907210	113,804

FLOYD COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2001
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Commerce</u>		
Passed-Through National Oceanic and Atmospheric Administration: Pride Community Grant (CFDA #11.469)	CF99-08 through CF99-14	\$ 713,337
<u>U.S. Department of Defense</u>		
Passed-Through U.S. Army Corps of Engineers: Law Enforcement Contract (CFDA # Unavailable)	Not Available	<u>16,266</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 965,679</u></u>

FLOYD COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

FLOYD COUNTY FISCAL COURT

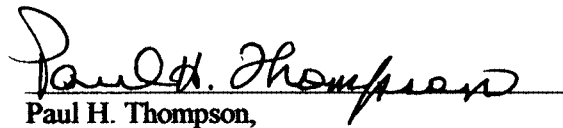
Fiscal Year Ended June 30, 2001

Appendix A

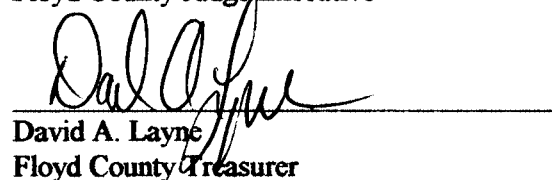
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
FLOYD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Floyd County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Paul H. Thompson,
Floyd County Judge/Executive



David A. Layne
Floyd County Treasurer